

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
January 26, 2004
Room 305, State Capitol**

MEMBERS PRESENT: Sen. Thomas Hatch, Co-Chair
Rep. David Ure, Co-Chair
Rep. Craig W. Buttars
Rep. Carl W. Duckworth
Rep. Ben C. Ferry
Rep. James R. Gowans
Rep. Michael Noel
Rep. Darin G. Peterson
Rep. Michael R. Styler
Rep. R. Curt Webb

MEMBERS ABSENT: Sen. Ron Allen
Sen. Parley Hellewell

STAFF: Steven Allred, Fiscal Analyst
Cindy Hopkin, Committee Secretary

SPEAKERS: Cary Peterson, Commissioner of Agriculture & Food
Kyle Stevens, Deputy Commissioner of Agriculture & Food

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Sen. Hatch called the meeting to order at 2:10 p.m.

Sen. Hatch welcomed the Department of Agriculture and Food.

Mr. Cary Peterson, Commissioner of Agriculture introduced his staff. Assisted by Kyle Stevens, Deputy Commissioner, and Dr. Marshall, State Veterinarian; Commissioner Peterson gave a presentation of the department's budget requests and reviewed departmental highlights.

Protecting the food supply is a central regulatory mission of the Department of Agriculture and Food, as is retaining a competent work force as the workload increases. Safety, food security, public health, and customer protection are critical and essential factors of state government.

Utah has had an increase of 280 food establishments, 202 weights and measures establishments, and 1,188 devices the department is required to inspect. Insect infestations have increased from 2.4M acres to 4.5M. Animal health related activities have also increased with Exotic Newcastle Disease, West Nile Virus, Bovine Spongiform Encephalopathy, Brucellosis, Tuberculosis, Trichonemiasis, Scrapies, etc. which affect different species of animals. The effect of BSE on our international beef markets has been disastrous. Subcommittee member's questions and concerns

were responded to by Commissioner Peterson, Mr. Stevens, Dr. Marshall, and Ms. Renee Matsuura, Director of Administrative Services.

Commissioner Peterson proposed the following fee increases in order to increase compensation for certain staff:

Pesticides (update of registration fees)

The current fee is \$60 with a proposed increase of \$20 x 8,000 pesticide users would give \$160,000

The following fees are contingent upon legislation establishing the programs:

Weights & Measures Program (initiate a registration license fee)

	<u>Proposed</u>		<u># of Facilities</u>	<u>Revenue</u>
Small Facilities	30	x	2,300	\$69,000
Medium Facilities	90	x	1,100	\$99,000
Large Facilities	160	x	550	<u>\$88,000</u>
Total				\$256,000
Food Safety (initiate registration/license fee)				
Small Facilities	30	x	900	\$27,000
Medium Facilities	90	x	600	\$54,000
Large Facilities	160	x	600	<u>\$96,000</u>
Total				\$177,000

On the pesticide fee issue, legislation is required to deposit it as a dedicated credit; otherwise all the fees generated from pesticide registration, (except the processing fee) now go into the General Fund. Rep. Ure will be sponsoring a bill for this legislation.

Commissioner Peterson spoke about Homeland Security and that President Bush will propose record level funding for USDA food safety programs in his budget. He also spoke about animal tracing and brand inspections.

Dr. Marshall told about two national programs that are trying to come on-line now. One of them is COOL (Country Of Origin Labeling) wherein foreign products shipped into the United States would have to be labeled as such. At present they are not required to do so which puts them in competition with, and gives them an advantage over, the American producer who has to label products not only as American, but with nutritional content. COOL is also there for animal health reasons so that we can trace where animals come from; an example of that is Mad Cow Disease in the state of Washington which came from Canada. We also got Scrapies in sheep from Canada in 1947. Dr. Marshall stated that Canada does not measure up to the U.S. system in some ways.

The second national program is USAIP (United States Animal Identification Plan). Senators Leahe and Specter are implementing a way to enact this program. USAIP is a plan for identifying the farm of origin by ear tag or electronic ID in an effort to ensure animal and human health protection.

Steven Allred, Fiscal Analyst, presented the committee with an overview of the FY 2005 budget.

The state vehicle report shows 102 vehicles in calendar year 2003 which equates to about 1 car for every 2 FTE.

Mr. Allred recommends a total Agriculture budget of \$18,835,000 which includes General Funds of \$10,086,900. This is identical to the FY 2004 final ongoing appropriation.

The General Fund actual amount for 2003 was \$9,488,700 and the 2004 non-state funds as estimated by the agency were \$10,086,900 for the General Fund and \$312,300 for the One-time General Fund. There was growth in General Funds between 2003 and 2004 during a time of General Fund cuts. This is primarily due to two things, the first \$250,000 the Legislature found for the Animal Diagnostics Lab and another \$266,000 to help the Regulatory Services Program instead of raising fees last year.

The number of cattle for 2003 was 880,000 (down from 920,000 in 2002 due to the drought conditions). This impacts the Brand Inspection Program because it is their source of revenue.

The department is under contract with Delta Egg Farms which is growing so there is need for another inspector. Mr. Allred recommends the Legislature appropriate \$40,300 (dedicated credits) entirely from fees charged to Delta Egg Farms.

Every five years, the department goes through its brand renewal cycle into which about 20,000 records are reviewed and every owner is given the chance to renew their brand or earmark for an additional five years. At the end of the cycle in 2006, a brand book will be published. The \$40,000 of funding comes from restricted funds.

The number of acres infested by crickets and grasshoppers in Utah continues to be high, estimated at 3.4M acres in 2003. Mr. Allred recommends supplemental funding for FY 2004 (if funds become available) but does not currently recommend additional funding for FY 2005, which can be handled on a supplemental basis next year.

With the discovery of mad cow disease in the state of Washington, the United States Department of Agriculture has already added new requirements to the meat inspection process in this country. Public safety and public perception require concrete steps to prove the problem is being corrected. Mr. Allred recommends \$18,400 if additional General Funds become available. These funds would be matched by federal funds and would hire one inspector.

Rep. Dougall has requested that the subcommittee consider once again reimbursing three rabbit farmers whose diseased animals were euthanized by the state in 2001. Viral Hemorrhagic Disease most likely arrived with a buyer from China. There is one other case where the state paid indemnity, and occurred in 1984 with about 700 pheasants. The state paid one-third of the appraised value for a total payment of \$2,100. The total amount requested in this case is

\$28,600.

The department has requested some fee increases in order to give salary increases in various programs, including Veterinarians, Environmental Health Scientists, Weights and Measures Inspectors, Environmental Practices and Compliance Specialists, Marketing Specialist, Compliance Specialist (pesticides), and Brand Inspectors. The Governor's budget recommendations did not include salary increases over a 2% increase for all state employees and some Market Comparability Adjustments. Mr. Allred recommends approval of the department's request to raise fees and salaries for targeted positions, if the Legislature doesn't approve a general increase for all state employees.

Page 78 of Tab 3 contains a summary of proposed fee changes. Mr. Allred also spoke about agriculture fees; targeting Meat Packing on page 79, Animal Health on pages 83 and 84, Regulatory Services fees on page 89, and Brand Inspection on pages 91 and 92.

Sen. Hatch had questions regarding the number of inspectors and the necessity of trying to maintain the level of service needed if workload and revenue is down. Dr. Marshall, Commissioner Peterson and Ms. Matsuura responded.

Commissioner Peterson stated that the inspection fee charged in Idaho compared to Utah is considerably higher. Rep. Peterson brought up the subject of reciprocity.

MOTION: Rep. Gowans moved to adjourn. The motion passed unanimously with Sen. Allen and Sen. Hellewell absent for the vote.